

May 8, 2012

Chairman Julius Genachowski  
Federal Communications Commission  
445 Twelfth St. SW  
Washington DC 20554

Dear Chairman Genachowski:

Consumer Reports and its advocacy and policy division, Consumers Union, have a long history of working with the Federal Communications Commission (FCC) on a wide range of issues of deep concern to consumers. As you know, our organization is committed to making sure the FCC has adequate authority and information to fulfill its mission. To that end, we especially applaud the Commission's recent efforts on data roaming, LPFM, and political disclosure.

The FCC's data roaming rules should make it easier for more wireless companies to compete with large national providers, which we hope will provide consumers with more choice and lower priced plans. The FCC's decision to clear a backlog of pending applications for FM translators will create more opportunities for LPFM stations, which give a voice to local community groups and help to engage consumers in the issues that impact them right at home. Finally, the FCC's most recent vote to require television broadcasters to make their "political files" available online will offer more transparency by giving consumers access to information on who is behind an advertisement and how much they paid.

In addition to these recent efforts, we believe there are a number of areas where the FCC can take action to protect consumers' pocketbooks. We have attempted to identify some of the areas below:

### **Competition in the Wireless, Broadband, and Video Markets**

#### *Verizon Wireless, SpectrumCo, and Cox Transaction*

The FCC correctly recognized the harm to wireless consumers of the proposed merger of AT&T with T-Mobile. Consumers Union argued that this combination could negatively impact competition, consumer choice, and consumers' pocketbooks.

We are now concerned that the proposed transaction between Verizon Wireless, SpectrumCo, and Cox will diminish competition not only in the wireless market but also in the video and landline broadband markets. Consequently, consumers could suffer an increase in prices and face diminished competitive alternatives in the video, broadband, and wireless markets.

In tough economic times like these, it is in the public's interest to keep prices low and keep as many options for consumers as possible. As you know, for these reasons, Consumers Union has urged the agency to deny this transaction.

### *Interoperability*

Consumers Union is pleased the FCC has begun a proceeding to promote interoperability among wireless devices. As carriers begin to invest in and build out their 700 MHz holdings, one important piece needed is interoperability to ensure consumer confidence that their devices will work, regardless of the carrier or network. Interoperability will also allow consumers to seamlessly roam from one network to another. Without interoperability, competition will be undermined, which would ultimately harm consumers by reducing consumer choice and resulting in higher prices.

We will be participating in the proceeding and look forward to working with the FCC to ensure that consumers have the benefit of obtaining mobile devices that work on any cellular network.

### *Data Usage Caps*

Both wireless and wireline companies have begun to institute data usage caps on broadband services. These data usage caps and subsequent overage charges will limit consumer choice and add to the ever-increasing costs of Internet access for consumers.

Data caps can have a very real impact on consumer behavior. Data caps may dampen the use of broadband generally and may discourage high-bandwidth applications, like online video, which can provide consumers an alternative to traditional cable and satellite video subscriptions. Consequently, these usage caps and overage charges could restrict consumer choice and demand for online services and activities that consumers desire, as many consumers will not want to or be able to pay excessive overage charges.

It is unclear whether data caps have a legitimate economic justification. It is also unclear whether any overage charges are in proportion to the cost for the additional data capacity. The FCC should investigate the nature, purpose, and impact of data caps upon consumers.

### *Tying of services*

Verizon recently announced that as of May 7, it will begin bundling local voice service with all new subscriptions to DSL service. In addition, if any of Verizon's current subscribers want to make a change to their existing DSL service, they will be considered a new subscriber and be required to purchase the bundled package.

We are concerned that the practice of tying the broadband service to the voice service limits consumer choice and essentially forces consumers to purchase local services they do not want – either because they prefer to rely on a wireless device or because they prefer to use a VoIP service.

This practice of tying service offerings, like voice and broadband, is still under consideration by the Commission. We ask that the FCC ensure that the *status quo* is maintained with respect to Verizon standalone DSL offering until the Commission can complete its consideration of the impact on consumers of tying together service offerings.

## **Consumer Protections**

### *Cramming*

We appreciate the FCC's effort to require more disclosure regarding third-party billing. However, we urge the FCC to provide greater protections for consumers and for those protections to apply not just to landline users but also for those who use wireless phones and VoIP services.

Technology should continue to flourish and grow, but not at the hefty expense of consumers. Thus, not only should the FCC provide stronger consumer protections against cramming, it is especially critical the FCC extend cramming rules to wireless and VoIP providers, especially considering the high rate of adoption among consumers.

### *Bill Shock*

Consumers Union is pleased that the wireless companies have agreed to voluntarily provide consumers with free alerts before they go over their voice, data, or text plans. This will protect consumers from high, unexpected overage charges. In a survey of Consumer Reports readers, one in five respondents reported receiving an unexpectedly high bill in the previous year. Half of them were hit for at least \$50, and one in five for more than \$100.

We look forward to working with the FCC to publicize the FCC's "bill shock" portal, which will keep track of which carriers have begun to provide the alerts. We also hope the FCC will take swift action if any of the wireless companies fail to comply with the voluntary efforts.

### *Programming Black Outs*

Recently contract fights between cable and satellite companies and content providers have resulted in blackouts – or threats of blackouts - to local news, sports, and network programming. The outages stem from a rising number of fights over retransmission fees the cable and satellite companies should pay to carry networks. Consequently, consumers are caught in the crossfire and harmed when the content they have paid for and expect to receive is made unavailable to them.

To prevent the risk of regular service disruption, we ask that the FCC institute appropriate dispute resolution processes, including appropriate processes for ensuring interim carriage during the resolution of disputes.

Sincerely,



Jim Guest

President, Consumer Reports